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Patent Litigation After the Teva Pharmaceuticals Decision: Progression Through Judicial and Economic Efficiency

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Patent Litigation After the *Teva Pharmaceuticals* Decision: 
Progression Through Judicial and Economic Efficiency

Rick Kalinowski

Part I: Introduction

Our forefathers understood that if our country was to prosper, we must “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” Over the years, the law has evolved to protect these ideals. Today, an invention (or patent) must meet two requirements to pass legal muster. It must contain a “specification describing the invention ‘in such full, clear, concise, and exact terms as to enable any person skilled in the art . . . to make and use the same.’” A patent must also contain “one or more ‘claims,’ which ‘particularly point out and distinctly claim the subject matter which the applicant regards as his invention.’”

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1 J.D. candidate, expected 2017, Seton Hall University School of Law; B.S. 2008 Civil Engineering, B.S. 2011 Architectural Engineering, Drexel University. I would like to thank all of my intellectual property professors for unveiling my hidden passion.

2 U.S. Const. art. I, § 8, cl. 8.

3 See generally John White, *The Day that Changed the World: April 10, 1790*, April 9, 2015, http://www.ipwashdog.com/2015/04/09/the-day-that-changed-the-world-april-10-1790/id=56422/ (“[P]atents had, until then, been primarily the province of crony capitalism and scientific peers…The U.S. patent law changed the basic underpinnings of previously existing patent systems. It was cheap and wide open.”); Digital Law Online, *Chapter 4: An Overview of Patents* (last visited January 23, 2016), http://digital-law-online.info/lpd1.0/treatise52.html (“Instead of examining a patent application to determine whether the invention met the requirements of the Act, it was up to the courts to declare a patent invalid if it lacked novelty or was not properly described in the application.”); Laws, *The Patent Fire of 1836*, http://patent.laws.com/patent-act-of-1836/patent-act-of-1836-patent-fire-of-1836 (“One of the most important legacies of the Patent Act of 1836 was its creation of the first USA Patent Office.”); The Antitrust Laws, Federal Trade Commission, (last visited January 23, 2016), https://www.ftc.gov/tips-advice/competition-guidance/guide-antitrust-laws/antitrust-laws (“Yet for over 100 years, the antitrust laws have had the same basic objective: to protect the process of competition for the benefit of consumers, making sure there are strong incentives for businesses to operate efficiently, keep prices down, and keep quality up.”); Laws, *Patent Act of 1952*, http://patent.laws.com/patent-act-of-1952/patent-act-of-1952 (“[E]ven if the Patent Act of 1952 had not altered any specific detail of American patent law, it would have still been significant simply by placing all of these details in the same place. As it is today, Federal law on patents are grouped into three main categories.”); Summary of the America Invents Act, American Intellectual Property Law Association (AIPLA), http://www.aipla.org/advocacy/congress/aia/Pages/summary.aspx (“[T]he U.S. transitions from a First to Invent patent system to a system where priority is given to the first inventor to file a patent application.”).


6 *Id.*
In today’s legal system, patent litigation heavily revolves around an invention’s claims.\(^7\) In many cases, patent litigation rises and falls on the issue of claim construction.\(^8\) Claim construction gives meaning to the claimed invention; in other words, how someone should construe the claims of a patent to determine their meaning.\(^9\) A court’s decision regarding the contents of a claim is vital to determining if a patent claim is invalid or if another patent claim is infringing.\(^10\) In one of the most important patent law cases, *Markman v. Westview Instruments, Inc.*, the United States Supreme Court held “that claim construction is a matter of law to be determined exclusively by the judge.”\(^11\) The Supreme Court further noted that “[b]ecause claim construction is a matter of law, the construction given the claims is reviewed *de novo* on appeal.”\(^12\)

*De novo* review allows a reviewing court to determine an issue anew, so that the court views the matter from the same point of view as the district court with no need to give a previous determination any weight or deference.\(^13\) However, the Supreme Court has recently held that a “clearly erroneous” standard of review should have applied to the district court’s resolution of an underlying factual dispute in the construction of a patent claim.\(^14\)

This note will argue that patent litigation following the *Teva* decision will change in two ways: (i) the heightened review standard will lead to an increase in settlements and dropped

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\(^7\) Soonwoo Hong, *Claiming what Counts in Business: Drafting Patent Claims with a Clear Business Purpose*, World Intellectual Property Organization (WIPO), http://www.wipo.int/sme/en/documents/drafting_patent_claims_fulltext.html (“Claim construction is very important in patent litigation because it is the basis for determining whether the patent is invalid for failing to meet the conditions and requirements of patentability or to determine whether the patent is infringed.”).

\(^8\) Gretchen Ann Bender, *Uncertainty and Unpredictability in Patent Litigation: The Time is Ripe for a Consistent Claim Construction Methodology*, Journal of Intellectual Property Law, 8 J. Intell. Prop. L. 175, 191 (2001) (“Claim construction issues have become, and will continue to be, a critical issue in patent infringement law, in part, because of the explosion of patent litigation and the new corporate attitude toward patents.”).

\(^9\) Id.

\(^10\) Id.

\(^11\) Cybor Corp. v. FAS Techs., Inc., 138 F.3d 1448, 1453 (Fed. Cir. 1998).

\(^12\) Markman v. Westview Instruments, Inc., 52 F.3d 967, 979 (Fed. Cir. 1995) aff’d, 517 U.S. 370 (1996).

\(^13\) See Lawrence v. Dep’t of Interior, 525 F.3d 916, 920 (9th Cir. 2008); see also Lewis v. United States, 641 F.3d 1174, 1176 (9th Cir. 2011).

lawsuits, which affects judicial efficiency; and (ii) the increase in settlements and dropped lawsuits will reduce the economic burden on the parties involved in litigation. Part II of this note will discuss the history of patent claim construction, the reasoning behind de novo review versus a clear error standard, the development of the Markman Hearing and the difference between intrinsic and extrinsic evidence. Part III of this note will analyze the Supreme Court’s recent decision in Teva Pharm. USA, Inc. v. Sandoz, Inc., the economic ramifications from this decision and its potential impact on judicial efficiency. Finally, Part III of this note will also examine how courts have ruled on patent claim construction issues in cases following the Supreme Court’s ruling in Teva.

Part II: Evolution of Patent Litigation

A. History of Claim Construction

Since the first patent acts were introduced over two centuries ago, an inventor has been required to describe the invention with enough particularity “as not only to distinguish the invention or discovery from other things before known and used, but also to enable a workman . . . to make, construct, and use the same.”15 This requirement has evolved through subsequent Acts and now patent specifications must contain claims that particularly point out what the inventor believes to be his or her invention.16

The majority of patent litigation revolves around the interpretation of claim language. It is a fundamental principal that when litigation deals with claim construction, understanding the claim “begins with, and remains focused on, the language of the claims.”17 The importance of claim construction cannot be emphasized enough. In order for a patent to be infringed upon, the patent’s

15 Act of April 10, 1790, Chapter 7, Section 2, Stat. 109.
claim must incorporate the allegedly infringing invention.\textsuperscript{18} Therefore, determining the meaning of language contained in a patent’s claim is paramount to deciding if another invention is infringing.\textsuperscript{19}

Claim construction is the most important part of patent litigation because the parties will typically disagree on what certain claim terms mean.\textsuperscript{20} Furthermore, the dispute over claim terms revolves around the meaning of those terms at the time of the invention itself, not as of the date when the Markman Hearing is being held.\textsuperscript{21} There are two reasons why the interpretation of the claim language is important: (1) there can be numerous variations to how a word in a claim is interpreted and (2) when drafting a claim, a patent applicant may choose to be their own lexicographer.\textsuperscript{22} What a term means today may differ from its definition years ago because language evolves.\textsuperscript{23} An applicant can pick and choose what meanings attach to various terms “or nudge the language toward a new one by striking out on their own.”\textsuperscript{24} In other words, the terms and the meaning of those terms should be defined within the claim application itself or as Judge Giles S. Rich concisely explained “the name of the game is the claim.”\textsuperscript{25}

The construction of a patent claim is too vital to allow its determination to be subjective. And because an appellate court may have a different understanding of a claim term from that of the district court, reversal rates of claim construction decisions are astoundingly high.\textsuperscript{26} Roughly

\begin{itemize}
\item \textsuperscript{18} See H. Schwartz, Patent Law and Practice 1, 33 (2d ed. 1995).
\item \textsuperscript{19} Id.
\item \textsuperscript{22} See Renishaw PLC v. Marposs Societa’ per Azioni, 158 F.3d 1243, 1249 (Fed. Cir. 1998).
\item \textsuperscript{23} See Country Mut. Ins. Co. v. Am. Farm Bureau Fed’n, 876 F.2d 599, 600 (7th Cir. 1989).
\item \textsuperscript{24} Id.
\end{itemize}
one in every three claim construction rulings are reversed by the Federal Circuit.\textsuperscript{27} Unfortunately, this creates an issue of judicial efficiency and the credibility of district court judges.\textsuperscript{28}

\textbf{B. }\textit{De Novo versus Clear Error Review}

Once a judicial determination has been made it can be classified as either a question of law, question of fact, or a matter of discretion.\textsuperscript{29} These determinations are reviewed, \textit{de novo}, for clear error, or for abuse of discretion, respectively.\textsuperscript{30} For the purposes of this note, only \textit{de novo} and clear error review will be discussed. Courts have established that \textit{de novo} review “means that the court views the case from the same position as the district court [and] . . . the appellate court must consider the matter anew, as if no decision previously had been rendered.”\textsuperscript{31} On the other hand, “[f]indings of fact are made on the basis of evidentiary hearings and usually involve credibility determinations, which explains why they are reviewed deferentially under the clearly erroneous standard.”\textsuperscript{32}

This is a critically important distinction that appeals to common sense. If the issue before a reviewing court is one of law, then the judges are equally capable of making their own interpretations or determinations without relying on what the district court decided. On the contrary, if the issue is a question of fact, judges reviewing the cold record transcripts do not have

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\textsuperscript{27} Id. at 995 (“Case reversal rates due to Federal Circuit claim construction revisions have been measured at 27% to 40% in studies encompassing regular Federal Circuit opinions and summary affirmances under Rule 36 and at even higher reversal rates of 41% to 53.5% in studies that ignored these summary affirmances.”).
\textsuperscript{28} Id. at 1001.
\textsuperscript{29} See Harman v. Apfel, 211 F.3d 1172, 1174 (9th Cir. 2000) (“[D]ecisions by judges are traditionally divided into three categories, denominated questions of law (reviewable \textit{de novo}), questions of fact (reviewable for clear error), and matters of discretion (reviewable for abuse of discretion).” (quotation marks and citation omitted)).
\textsuperscript{30} Id.
\textsuperscript{31} Cdn.ca9.uscourts.gov/datastore/uploads/guides/stand_of_review/I_Definitions.html, citing Lawrence v. Dep’t of Interior, 525 F.3d 916, 920 (9th Cir. 2008); Lewis v. United States, 641 F.3d 1174, 1176 (9th Cir. 2011); Freeman v. DirecTV, Inc., 457 F.3d 1001, 1004 (9th Cir. 2006).
\textsuperscript{32} Rand v. Rowland, 154 F.3d 952, 957 n.4 (9th Cir. 1998) (en banc).
\end{flushright}
the advantage of hearing the evidence first hand.\textsuperscript{33} An essential component of determining the credibility of evidence is being able to see and hear the demeanor of the person presenting it.\textsuperscript{34}

C. The Creation of the Markman Hearing: \textit{Markman v. Westview Instruments, Inc.}

One, if not the, most precedential decisions in patent litigation is \textit{Markman v. Westview Instruments}, which was delivered by the Supreme Court in 1996.\textsuperscript{35} In \textit{Markman}, the issue was whether interpretation of a patent claim “is a matter of law reserved entirely for the court,”\textsuperscript{36} or for a jury to “determine the meaning of any disputed term of art about which expert testimony is offered.”\textsuperscript{37} The Petitioner had patented a “system that can monitor and report the status, location, and movement of clothing in a dry-cleaning establishment.”\textsuperscript{38} Respondent’s product functioned similarly, in that it could “record an inventory of receivables by tracking invoices and transaction totals.”\textsuperscript{39} The lawsuit boiled down to “the meaning of the word ‘inventory,’ a term found in Markman’s independent claim.”\textsuperscript{40} The jury viewed the Respondent’s product as an infringement on Markman’s claim, however, the district court granted Respondent’s motion for judgment as a matter of law because it was not capable of the same operations as Markman’s invention.\textsuperscript{41}

\textsuperscript{33} David Krinsky, \textit{The Supreme Court, Stare Decisis, and the Role of Appellate Deference in Patent Claim Construction Appeals}, 66 Md. L. Rev. 194, 199 (2006) (“Thus, when trial judges have heard testimony intended to put them in the position of one skilled in the art, the Federal Circuit should grant deference to the decisions the trial judge makes about how particular technical claim terms are understood by practitioners of the art.”).

\textsuperscript{34} Hon. John J. DiMotto, \textit{Determining Credibility of Witnesses and the Weight of Evidence}, April 3, 2015, http://johndimotto.blogspot.com/2015/04/determining-credibility-of-witnesses.html, citing Covelli v. Covelli, 293 Wis.2d 707 (Ct. App. 2006) (“the credibility and weight determination is uniquely in the province of the fact finder because it is in a better position than an appellate court to make such determinations. The fact finder has a superior view of the total circumstances of the witness’ testimony.”).


\textsuperscript{37} \textit{Id.}

\textsuperscript{38} \textit{Id.} at 374.

\textsuperscript{39} \textit{Id.} at 375.

\textsuperscript{40} \textit{Id.}

\textsuperscript{41} \textit{Id.}
appeal, the Federal Circuit agreed with the lower court, and held that “the interpretation of claim terms [is] the exclusive province of the court.”

The Supreme Court opined that a basic, bare bones patent case involves two distinct elements: (1) construing the patent language; and (2) evaluating if there was infringement. Construing the patent language is a question of law for the court, while the infringement evaluation is a question of fact to be determined by the jury. The Supreme Court elaborated on the issue, positing that if a term of art is necessary in comprehending a patent’s claims are outside a judge’s requisite knowledge, expert witnesses and other means may be used for clarification. However, it remains the responsibility of the court to provide “the patent its true and final character and force.” Sometimes, whether an issue is fact or law is not so black and white. Sometimes, an important issue falls somewhere in the grey area “between a pristine legal standard and a simple historical fact.” In this situation, courts have continually held that a judge, not a jury, is the more appropriate judicial actor to decide on the issue. For these reasons, the Supreme Court held that “the construction of a patent, including terms of art within its claim, is exclusively within the province of the court.”

Importantly, the Supreme Court found “sufficient reason to treat construction of terms of art like many other responsibilities that we cede to a judge in the normal course of trial, notwithstanding its evidentiary underpinnings.” While the question of whether claim

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43 See Id. at 384.
46 Markman, 517 U.S. at 388 citing W. Robinson, Law of Patents, 481-483 (1890).
48 See Markman, at 388; Parker v. Hulme, 18 F. Cas. 1138, 1140 (No. 10,740) (CC ED Pa. 1849).
49 Id. at 372.
50 Markman, at 390 (emphasis added).
construction was a question of fact or law was not answered, the Supreme Court ruled “that courts are better suited than juries for determining the subsidiary question of claim construction and set the job squarely on the shoulders of the judges.” Since 1996, courts have been conducting Markman Hearings at different times during the litigation process. During a Markman Hearing, the judge determines what the disputed terms of a patent claim mean. Markman Hearings have become nearly as critical in the procedural process as the trial itself and has been “a party’s key opportunity to assist the judge with his or her task and to guide the judge through the evidence in a credible and convincing manner.”

Since the time of the Markman decision, the breadth of what is decided in a Markman Hearing has been evolving and at what point in the litigation process should a Markman Hearing be held? Some jurisdictions leave the timing of the Markman Hearing entirely “[s]ubject to the convenience of the Court’s calendar.” However, the majority of jurisdictions schedule a Markman Hearing between two weeks and two months from the submission of reply briefs. And although some jurisdictions allow the Markman Hearing to be held at the convenience of the court, after the claim is fully briefed and before the trial begins is the most advantageous timeframe.

53 Kovalick, supra note 46.
56 Local Patent Rules: Patent Rules Made Easy, www.localpatentrules.com/compare-rules/markman-hearing/ (November 2015) (Georgia Northern: “Subject to the convenience of the Court’s calendar, the Court shall conduct a Claim Construction Hearing to the extent the Court believe a hearing is necessary for construction of the claims at issue.”).
58 Edward Brunet, MARKMAN HEARINGS, SUMMARY JUDGMENT, AND JUDICIAL DISCRETION, Lewis and Clark Law Review 95-6 (“This preference mirrored a 2002 ABA survey, which found that claim construction hearings were held after discovery but before trial in seventy-eight percent of the cases studied.”)
This allows both parties to better understand their chances of success at trial by establishing the meaning of terms, which may be crucial to the outcome of the case.\(^{59}\)

Some parties want to hold the Markman Hearing as early as possible, in order to give them a clear roadmap for the upcoming trial or even to induce a settlement.\(^{60}\) However, if discovery has not progressed sufficiently, a full and precise interpretation of the claim at the Markman Hearing may not be possible.\(^{61}\) For that reason, conducting the Markman Hearing close to the end of discovery but well before trial begins is the most advantageous timeframe.\(^{62}\) This allows the Markman Hearing results to be utilized as a tool by both parties; it can bolster an argument, change the point of attack, or lead to a settlement with the incredible expense of trial looming.\(^{63}\)

Markman Hearings can last longer than trial itself.\(^{64}\) The lengthy process is due to the voluminous evidence collected from both parties and disputes can arise over any number of specific facts in that evidence.\(^{65}\) In the next section, the differences between intrinsic and extrinsic evidence will be elaborated on because the distinction is important. Ideally, the court should hold an initial Markman Hearing and accept only intrinsic evidence.\(^{66}\) If any ambiguity of the relevant claim terms exists within the intrinsic evidence then an additional Markman Hearing should be held with the introduction of extrinsic evidence.\(^{67}\) Introducing this extrinsic evidence is key to

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\(^{59}\) Id. at 96 (“The presence of full discovery ensures that the claim construction ruling will be made on a complete record, with correspondingly less possibility of reversal by the Federal Circuit.”)


\(^{61}\) Id.

\(^{62}\) Id.

\(^{63}\) Id.

\(^{64}\) See Id.

\(^{65}\) See Phillips v. AWH Corp., 415 F.3d 1303, 1332 (Fed. Cir. 2005).

\(^{66}\) See Id. (“parties battle over experts offering conflicting evidence regarding who qualifies as one of ordinary skill in the art; the meaning of patent terms to that person; the state of the art at the time of the invention; contradictory dictionary definitions and which would be consulted by the skilled artisan; the scope of specialized terms; the problem a patent was solving; what is related or pertinent art; whether a construction was disallowed during prosecution; how one of skill in the art would understand statements during prosecution; and on and on.”).


\(^{67}\) See Id.
helping the court understand the sometimes complex technical language found within patent claims. Not allowing the litigants the opportunity to present this evidence in support of their assertions would be the definition of injustice.

**B. Intrinsic Evidence vs. Extrinsic Evidence**

When a court is tasked with evaluating the construction of a claim, it has two main types of evidence that can be used as guidance: (1) intrinsic, which includes the patent claim language as well as prosecution history; and (2) extrinsic, which includes expert testimony. Typically, intrinsic evidence is the first line of proof in determining the meaning of claim language. When defining the language of a particular claim, a court initially looks at the claims themselves, the attached specification, and the dialogue between the patentee and the patent office. This is an intuitive system, looking at the plain language of the claim should be the initial test for understanding its meaning. Especially when the “patentee may choose to be his own lexicographer.” Since the claim must contain a specific description of the invention, “it is the single best guide to the meaning of a disputed term.”

As discussed earlier, both intrinsic and extrinsic evidence are brought forward during the Markman Hearing. The Markman Hearing “may occur well before the trial” and the parties will need to “navigate tens of thousands of documents” during this process, which is only the intrinsic

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68 See *Id.*
69 See generally, *supra* note 66.
70 *Vitronics Corp. v. Conceptronic*, 90 F.3d 1576, 1582 (Fed. Cir. 1996).
71 *Id.* at 1576; *Markman*.
72 *Unique Concepts, Inc. v. Brown*, 939 F.2d 1558, 1561 (Fed. Cir. 1991) (“To ascertain the meaning of claims, we consider three sources: The claims, the specification, and the prosecution history.”)
73 *Vitronics*, 90 F.3d at 1578 citing *Hoechst Celanese Corp. v. BP Chems. Ltd.*, 78 F.3d 1575, 1578 (Fed. Cir. 1996).
74 *Vitronics*, 90 F.3d at 1577.
In addition, extrinsic evidence such as, inventor testimony, graphical animations, tutorials, and live or written expert testimony may be presented at the Markman Hearing. In 76

Claims should be read in light of the written specification of which they are a part. A written specification accompanies the claim and essentially provides a detailed explanation of the invention. It must be detailed enough to allow a person with basic abilities in the specific field to which the invention pertains to construct and use the described invention. This written description can be used as dictionary to help define certain terms that appear in the claims. That way, if the patentee intends on giving a specific term a special meaning, that meaning “must be clearly defined in the specification.”

Another valuable piece of intrinsic evidence used to construe claim language is the patent’s prosecution history, which includes the record of proceedings in the United States Patent and Trademark Office. Moreover, the language of a patent application can have a specific and overt meaning if the patentee uses his or her own words in the specification and claims. This meaning may be confirmed by “what the patentee said when he was making his application.” When intrinsic evidence is sufficient to understand the disputed term it is wholly unnecessary to evaluate any extrinsic evidence of any kind.

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75 Vincent P. Kovalick, Markman Hearings and Their Critical Role in U.S. Patent Litigation, http://www.finnegan.com/resources/articles/articlesdetail.aspx?news=9a8bf39b-c419-4329-9f6a-08ac0a647c7c
76 Kovalick, supra note 76.
77 Autogiro Co. of Am. V. United States, 384 F.2d 391, 396-98 (Ct. Cl 1967).
78 Markman v. Westview Instruments, Inc., 52 F.3d 967, 979 (Fed. Cir. 1995) aff’d, 517 U.S. 370 (1996) (“The specification contains a written description of the invention that must enable one of ordinary skill in the art to make and use the invention.”).
79 Markman, 52 F.3d at 979.
80 Markman, 52 F.3d at 980 citing Intellicall, Inc. v. Phonometrics, Inc., 952 F.2d 1384, 1388 (Fed. Cir. 1992).
82 Markman, 52 F.3d at 980 citing Goodyear Dental Vulcanite Co. v. Davis, 102 U.S. 222, 227 (1880).
83 Id.
In addition to intrinsic evidence, “[e]xpert testimony, including evidence of how those skilled in the art would interpret the claims, may be used.” Any information or source outside of the patent and application process is considered extrinsic evidence, “including expert and inventor testimony, dictionaries, and learned treatises.” Extrinsic evidence can be used to establish a change in a term’s meaning over time, it can “show what was then old, to distinguish what was new, and to aid the court in the construction of the patent.” A court has the latitude to allow such evidence to be heard “to aid the court in coming to a correct conclusion” with regards to the “true meaning of the language employed” in a patent claim. However, a court should only consider extrinsic evidence if it is absolutely necessary to understand the meaning of technical terms.

When a party introduces extrinsic evidence the clear error review standard is not automatically invoked. If the intrinsic evidence is sufficient to determine the scope of the terms in a patent claim, then even if extrinsic evidence is heard, a court may review the construction de novo. Extrinsic evidence is both appropriate and important in determining a patent claim term’s meaning, but intrinsic evidence will always be the most significant factor in the determination.

Part III: Analysis

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85 Fonar Corp. v. Johnson & Johnson, 821 F.2d 627, 631 (Fed. Cir. 1987).
86 Markman at 980.
90 Teva Pharm. USA, Inc. v. Sandoz, Inc., 789 F.3d 1335, 1342 (Fed. Cir. 2015) (“Teva cannot transform legal analysis about the meaning or significance of the intrinsic evidence into a factual question simply by having an expert testify on it.”).
91 Eidos Display, LLC v. AU Optronics Corp., 779 F.3d 1360, 1365 (Fed. Cir. 2015) (“To the extent the district court considered extrinsic evidence in its claim construction order or summary judgment order, that evidence is ultimately immaterial to the outcome because the intrinsic record is clear.”).
92 Phillips v. AWH Corp., 415 F.3d 1303, 1317 (Fed. Cir. 2005) (“while extrinsic evidence can shed useful light on the relevant art…it is less significant than the intrinsic record in determining the legally operative meaning of claim language.”)
A. Teva Pharmaceuticals, Inc. v. Sandoz, Inc.

In January of 2015, the Supreme Court issued a significant decision in Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc. In Teva, the issue involved the construction of a claim with evidentiary underpinnings and how the Court of Appeals should review the lower court’s factfinding, either as a question of law (de novo) or question of fact (clear error). Teva’s patent covers a method of manufacturing a drug used for the treatment of multiple sclerosis and Sandoz attempted to sell a generic version of the drug. The resulting infringement case focused on the validity of Teva’s patent, specifically the meaning of the term “molecular weight” as they are contained within Teva’s patent claim.

Sandoz argued that the “molecular weight” could have three different interpretations and therefore the claim’s language does not meet the definiteness requirement. The district court concluded, after hearing expert testimony, that a person skilled in the art would properly understand the meaning of “molecular weight” as it is found in Teva’s patent claim. The Federal Circuit reversed, finding Teva’s patent invalid because the “molecular weight” language was indefinite. The Federal Circuit reached this conclusion by essentially hitting the “reset” button on the issue and reviewed the lower court’s determination of facts for claim construction de novo.

The Supreme Court explained that the ultimate question of patent claim construction is a legal question for the courts to decide; however, the meaning and use of technical terms within the patent claim may still “give rise to a factual dispute.” The majority opinion held that, while an
appellate court may review the ultimate question of claim construction *de novo*, the district court’s decision on the underlying factual dispute should be afforded deference and only be overturned if the decision was clearly erroneous.\textsuperscript{101} The majority reasoned that because the district court experiences the expert testimony and documentation first hand, it is in a much better position to determine the credibility of the evidence and make a rational judgment.\textsuperscript{102} If the district court believed that a person skilled in the art would interpret the claim language in Teva’s favor, then the Federal Circuit should not question the judgment in the absence of clear error.\textsuperscript{103}

C. Judicial Efficiency

Courts have an incredible number of cases on their dockets, a number that continues to rise.\textsuperscript{104} The *Teva* decision should help increase judicial efficiency. Prior to *Teva*, parties would go through the entire trial process and if they were dissatisfied with the outcome, they would appeal and try again. Remember, the appeal would have been heard *de novo* with no deference to the findings of the district courts.\textsuperscript{105} While an adverse decision at the district court level may discourage some parties, a majority of litigants will appeal knowing that the case will be heard anew.\textsuperscript{106}

\textsuperscript{101} Teva, 135 S. Ct. at 841 *citing* Fed. R. Civ. P. 52(a)(6).

\textsuperscript{102} Teva, 135 S. Ct. at 838.

\textsuperscript{103} *Id.* at 843.


\textsuperscript{105} Gene Quinn, *Supreme end Federal Circuit love affair with de novo review*, (January 20, 2015), http://www.ipwatchdog.com/2015/01/20/supremes-end-federal-circuit-love-affair-with-de-novo-review/id=53873/ (“The United States Court of Appeals for the Federal Circuit has had a very long love affair with *de novo* review, a standard whereby the reviewing appellate court can simply do whatever they want without giving any deference to the district court judge or the jury.”).

In the early 1990’s fewer than 1,500 patent infringement cases were filed per year.\textsuperscript{107} By 2013, that number had skyrocketed to over 6,500 cases per year.\textsuperscript{108} In the last four years alone, since the America Invents Act went into effect in 2011, the number of cases per year has nearly doubled.\textsuperscript{109} Unfortunately, the number of courthouses and judges have not been growing at the same rate. There are a total of ninety-four (94) district courts throughout the United States and every patent case appeal is heard by the Court of Appeals for the Federal Circuit.\textsuperscript{110} It is easy to see how the judicial docket can quickly develop a backlog of cases. To complicate matters further, the average patent appeal may take up to 1 year to reach a decision.\textsuperscript{111}

The Supreme Court took a crucially important step towards increasing judicial efficiency with its holding in \textit{Teva}. Also, there are conflicting opinions on how effective the Federal Circuit has been in handling the administration of patent law.\textsuperscript{112} It has been nearly 20 years since the \textit{Markman} case was decided and the Supreme Court’s decision in \textit{Teva} shows just how imperative judicial efficiency is to all levels of the court system. The \textit{Teva} decision may not seem groundbreaking on its face, but its effects will be felt throughout patent litigation. This single decision

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\begin{itemize}
\item \textsuperscript{108} Id.
\item \textsuperscript{109} Id.
\item \textsuperscript{110} United States Courts, \textit{Court Role and Structure}, http://www.uscourts.gov/about-federal-courts/court-role-and-structure (“In addition, the Court of Appeals for the Federal Circuit has nationwide jurisdiction to hear appeals in specialized cases, such as those involving patent laws, and cases decided by…the U.S. Court of Federal Claims.”).
\item \textsuperscript{111} United States Court of Appeals for the Federal Circuit, \textit{Median Time to Disposition in Cased Terminated After Hearing or Submission}, http://www.cafc.uscourts.gov/the-court/statistics.
\item \textsuperscript{112} New York City Bar, \textit{Should Patent Jurisdiction be Removed from the Jurisdiction of the Federal Circuit and Returned to Regional Courts of Appeal}, (July 2015), http://www2.nycbar.org/pdf/report/uploads/20072952-SHOULDPATENTJURISDICTIONBEREMOVEDFROMTHEJURISDICTIONOFTHEFEDERALCIRCUITANDRETURNEDTOREGIONALCOURTSOFAPPEAL.pdf (“The Patents Committee concludes that the Federal Circuit should maintain exclusive jurisdiction over patent appeals” while “[t]he Federal Courts Committee’s report recommends that patent jurisdiction be returned to the regional courts.”).
\end{itemize}
\end{footnotesize}
can move the landscape of patent litigation into a more effective direction. Prior to Teva, the Federal Circuit’s rule steered litigants away from pre-trial resolution.113

By heightening the standard of review from de novo to clear error, litigants will be less inclined to appeal a district court’s determination of claim construction. These determinations are made during the Markman Hearings.114 As discussed earlier, the Markman Hearings are typically held before the trial actually begins.115 This has a two-fold effect on the litigants.

First, the parties will be deterred from appealing the outcome of a trial if that appeal is based upon a determination made at the Markman Hearing. Second, and possibly more important, is the effect on the parties’ decision to continue with the trial itself. When a district court determines the meaning of a claim term, a party may realize that their chances at trial have just suffered a major blow.116 Litigants may reconsider their position and may be more receptive to settlement offers.117 This realization may eliminate the need for a costly trial entirely.118

The increased standard of review will have a direct effect on two critical cogs in the judicial efficiency wheel: decrease the number of appeals and increase the number of settlements.

D. Economic Concerns


115 Kovalick, supra note 76.


118 See Id.
The patent litigation process is intricate, time consuming, and difficult. “[T]he probability that a patent will be involved in litigation within four years of its issuance is surging – more than double what it was in 1984.” In 2014, three of the top patent infringement verdicts totaled over $1 billion. However, the celebration is short lived because “[t]he winning parties . . . now have a gauntlet they have to run at the Federal Circuit before they can hope to get the amount awarded in district court.” Patent cases usually involve copious amounts of detail, so all parties involved in the case spend a tremendous amount of time and money reviewing and analyzing all of the various information. That is why “[o]ne third of patent cases take more than three years to reach trial from the time the patent owner’s complaint was filed, and more than one in every ten patent infringement cases takes longer than five years to reach the trial stage.”

As mentioned above, patent infringement awards can be immense. According to the American Intellectual Property Law Association, the average cost of a patent infringement suit is as follows:

<table>
<thead>
<tr>
<th>Patent Infringement Suits (All Varieties)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lawsuit Value</td>
</tr>
<tr>
<td>&lt; $1 Million</td>
</tr>
</tbody>
</table>

122 Id.
125 Davis, *supra* note 107.
$1 Million - $10 Million | $950,000 | $2 Million | $200,000
$10 Million - $25 Million | $1.9 Million | $3.1 Million | $250,000
> $25 Million | $3 Million | $5 Million | $300,000

These values listed above are staggering and have an enormous effect on Patent Assertion Entities (PAE), otherwise known as “patent trolls.” A PAE “is an entity that acquires and asserts patents in order to extract licensing fees without concern for whether the patented material is manufactured or practiced.” Patent trolls are successful because the threat of the economic burden of a patent suit typically induces adverse parties to agree to a licensing deal. The deferential standard of review will reduce the bite of patent trolls bark, which will allow true innovators to not be afraid to create inventions that are closely related to patents held by these trolls.

While these values are merely averages, they point to a valid conclusion - mediation is a bargain. If clients know they could reduce their litigation cost by such drastic amounts, it is a

129 See generally, Irena Royzman, If High Court Reverses Teva, Litigation Costs May Increase, Law 360, (October 15, 2014, 8:37 p.m.), http://www.law360.com/articles/587384/if-high-court-reverses-teva-litigation-costs-may-increase (“So-called “patent trolls” – companies that buy up often dubious patents to sue others rather than make anything of their own – are part of the problem: Suits filed by patent trolls cost $29 billion in 2011.”).
mystery why the number of cases seen through to the end of discovery, let alone a final disposition, is as high as it is. With the amount of importance the *Teva* decision has put on claim construction and the Markman Hearing, parties will be more willing to resolve matters before ever reaching trial. The Supreme Court’s decision in *Teva*, has created a fork-in-the-road for patent litigation moving forward. Now that more emphasis will be placed on the Markman Hearing, it is foreseeable that parties will spend more money early on in a proceeding. Each party will spend more time in preparing their best case, more money analyzing the available intrinsic evidence, and more money compiling extrinsic evidence. However, this additional cost may lead to the end result of earlier resolution of patent cases.

Some may argue that the *Teva* decision increases the economic burden on the parties. At first glance this argument has merit. The heightened standard of review for claim construction creates an increased urgency at the Markman Hearing. Parties now know they will be facing an uphill battle if a claim construction ruling goes against them and that entices the parties to do whatever they can to emerge victorious, even if it means opening the pocketbooks. One of the major costs associated with the Markman Hearing is the use of expert witnesses. The increased deferential standard of review will induce litigants to use expert witnesses and the expert testimony will have a significant impact on the court’s determination. Because these expert witnesses are highly sought after and important their services are rather expensive. So, yes, it is easy to see how an increase in the cost of the Markman Hearing would translate to an overall increase in the cost of patent litigation. However, it is not that simple.

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The cost of expert witnesses pales in comparison to the cost of a full trial and potential appeal. And if the use of these expert witnesses, coupled with the fact of deferential review on appeal, leads to a pre-trial disposition of the matter then it is well worth it. Based on the table shown above, mediation of a matter costs one quarter of the amount of a full trial.\textsuperscript{132} And that cost savings only increases as the value of the lawsuit increases.\textsuperscript{133} The initial increase in cost will likely prevent a matter from reaching the time consuming and expensive needs of a trial. This is a logical situation when you analyze the litigation process from its beginning. Armed with the information received throughout the discovery period, the parties engage in a Markman Hearing. Here, nothing is kept in reserve for trial and the parties will get a very real sense of their chances of success.

\textbf{F. Cases After Teva}

\textit{Teva} was decided on January 20, 2015.\textsuperscript{134} In the fourteen months following the \textit{Teva} decision, it has been cited in over 200 decisions. However, not all of these cases were affected by the \textit{Teva} decision, these cases merely reference \textit{Teva} when describing the standard of review. The decision has forced courts to focus on what determinations underlie claim constructions.\textsuperscript{135} \textit{Teva} does not automatically create a heightened standard of review for determinations of claim construction.\textsuperscript{136} The cases that follow illustrate the effect that the \textit{Teva} decision is having on patent litigation.

- \textit{CardSoft, LLC v. Verifone, Inc., et al.}

\footnotesize{\textsuperscript{132} See AIPLA, \textit{supra} note 120.}
\footnotesize{\textsuperscript{133} See \textit{Id}.}
\footnotesize{\textsuperscript{134} Teva Pharms. USA, Inc. v. Sandoz, Inc., 135 S. Ct. 831, 835 (2015).}
\footnotesize{\textsuperscript{135} Shire Dev., LLC v. Watson Pharm., Inc., 787 F.3d 1359, 1364 (Fed. Cir. 2015).}
\footnotesize{\textsuperscript{136} \textit{Id}.}
In *CardSoft*, a patentee brought suit against a competitor for alleged infringement, the district court construed the patent claim construction and found there was infringement.137 The Federal Circuit reversed the district court’s decision and the Supreme Court vacated and remanded the Federal Circuit’s decision in light of the new standard of review established in *Teva*.138 On remand, the Federal Circuit again reversed the district court’s decision “[b]ecause this case does not involve the factual findings to which [the court] owe deference under *Teva*.”139 The court opined that the district court’s construction of the claim did not represent the traditional meaning of a term as it would be understood by a person familiar with the subject matter.140

In *CardSoft*, the court relied on intrinsic evidence to reach its conclusion. The specification and prosecution history of the patent claim clearly indicated that the specific term in question was expressly given its conventional meaning. When a court relies on this type of evidence, its construction of the claim is a question of law and will be reviewed *de novo*. The patentee should have introduced some form of extrinsic evidence to prove an unconventional meaning to the patent claim term. However, that alone would not be enough; the patentee would also need to show ambiguity in any intrinsic evidence offered before the court.

*Butamax™ Advanced Biofuels LLC v. Gevo, Inc.*

In *Butamax*, a patent owner brought suit against a competitor for alleged infringement, the district court construed the patent claim construction and denied the patent owner’s summary judgment motion of literal infringement.141 The Federal Circuit vacated the district court’s decision and remanded to the district court for reconsideration pursuant to its claim construction.142

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138 *Id.* at 1348.
139 *Id.*
140 *Id.* at 1349.
142 *Id.* at 1316.
The court posited that a claim term had ordinary meaning and the “subsequent extrinsic evidence does not clearly express an intent at the time of the invention to redefine” the term.\(^\text{143}\) The Supreme Court vacated and remanded the Federal Circuit’s decision in light of the new standard of review established in \textit{Teva}.\(^\text{144}\)

In \textit{Butamax}, the court examined the patent claim term’s ordinary meaning, the specification and claims, the prosecution history, and extrinsic evidence. Gevo produced extrinsic evidence, which is the first step towards invoking \textit{Teva’s} clear error review. However, Gevo did not show ambiguity in the intrinsic evidence; therefore, the court did not rely on the extrinsic evidence produced. Here, the litigants are a step closer than the parties in \textit{CardSoft} to invoking the heightened standard of review, but merely introducing evidence extrinsic to the patent is not enough. The court has yet to rule on the remanded case, but based on its original decision’s reasoning the outcome will remain the same.

- \textit{Azure Netorks, LLC, et al. v. CSR PLC, et al.}

In \textit{Azure}, a patentee and assignor brought an infringement suit against competitors, the district court construed the patent claims and entered judgment in favor of the defendants.\(^\text{145}\) The Federal Circuit adopted the patentee’s claim construction, vacated the district court’s decision and remanded to the district court for further proceedings pursuant to patentee’s claim construction.\(^\text{146}\) The court held that the patent claims used a term consistent with its standard meaning within the art,\(^\text{147}\) but the district court interpreted the term narrowly and not within its customary meaning.\(^\text{148}\)

\(^{143}\) \textit{Id.} at 1313 (emphasis omitted).


\(^{146}\) \textit{Id.} at 1350.

\(^{147}\) \textit{Id.} at 1348.

\(^{148}\) \textit{Id.} at 1347.
The Supreme Court vacated and remanded the Federal Circuit’s decision in light of the new standard of review established in *Teva*.\(^{149}\)

Here, the patentee claimed that by removing the word ‘control’ from a claim term they had altered the meaning of said term.\(^{150}\) Courts have agreed that when a party has become their own lexicographer, it is acceptable to modify the traditional meaning of a claim term.\(^{151}\) The modification of a term’s customary meaning must be clear when defining that term. The specification must be clear enough to show an ordinarily person skilled in the relevant art that a term is being redefined. The claim term had an ordinary meaning and when read in the context of the patent claim, even with the removal of the word ‘control’, the court found that the term still had its traditional meaning.

However, the specification in the patent claim clearly and continuously provides a particular meaning. The court discounts the district court’s construction of the claim because of the customary meaning of a term in the industry, but that term does not appear anywhere in the patent claims. The fact is that the patentee took an ordinary industry term, *media access control address*, and removed the word ‘control’. That alters the term itself and, it could be argued, significantly modifies the meaning of the term as it is used within the patent claims. While, the court has yet to rule on the remanded case, it seems apparent that the decision will remain the same. Although the party’s modification of the term seems to rise to the level of being their own lexicographer, the court’s decision was based on intrinsic evidence and therefore should not change.

- *Cephalon, Inc. v. Abraxis Bioscience, LLC*

\(^{150}\) Azure, 771 F.3d at 1349.
\(^{151}\) Phillips v. AWH Corp., 415 F.3d 1303, 1316 (Fed. Cir. 2005) (en banc).
In *Cephalon*, the assignee of a patent sued a manufacturer for infringement, the district court construed the patent claims and the assignee stipulated to a judgment that there was no infringement.\(^{152}\) After reviewing the factual findings that were the basis for the district courts claim construction for clear error, the Federal Circuit affirmed the district court’s determination.\(^{153}\) The court reviewed the specification, the prosecution history, textbooks, and expert testimony.\(^{154}\) The court held that the disputed terms were technical words and their meaning to a person of ordinary skill in the art is a question of fact that is reviewed for clear error.\(^{155}\)

When the terms used in the patent claim are technical words, the court often relies on experts in the relevant field. Naturally, opinions can vary from person to person and from court to court. It is completely plausible that the Federal Circuit would have construed the claim construction differently than the district court. However, it is much more difficult to find clear error, which was a vital factor in the Federal Circuit affirming the district court’s determination.

- *Enzo Biochem Inc. v. Applera Corp.*

In *Enzo*, the patentee filed an infringement suit against a competitor, the district court construed the patent claims in favor of patentee, the jury found the patent was infringed upon and awarded the patentee over $48 million in damages.\(^{156}\) The Federal Circuit disagreed with the district court claim construction, vacated the finding of infringement, and remanded for analysis consistent with its opinion.\(^{157}\) The court acknowledged that the district court’s conclusion was

\(^{152}\) Cephalon, Inc. v. Abraxis Bioscience, LLC, 618 F. App’x 663 (Fed. Cir. 2015).
\(^{153}\) Id. at 664.
\(^{154}\) Id. at 665-6.
\(^{155}\) Id. at 665.
\(^{156}\) Enzo Biochem Inc. v. Applera Corp., 780 F.3d 1149 (Fed. Cir. 2015).
\(^{157}\) See Id. at 1157.
based on extrinsic evidence, namely expert testimony. However, the court stated that it still had the autonomy to review the district court’s determination anew.

The Federal Circuit erred when it did not separately review for clear error any determinations made by the district court with regards to factual disputes. Any resolution of a factual dispute, whether ultimate or subsidiary, must be reviewed using the clear error standard. While the court may very well find that clear error did exist in the district courts construction of the claim, the de novo review used on appeal was not appropriate.

**Part IV: Conclusion**

This Note discussed both the ramifications on judicial efficiency and the economic concerns, as well as the correlation between the two, following the Supreme Court’s decision in *Teva Pharmaceuticals*. The Supreme Court’s decision placed even greater emphasis on the outcome of the Markman Hearing and the determinations of underlying factual disputes in claim construction. This greater emphasis will lead parties to expend more resources, both time and money, to emerge victorious following the Markman Hearing. While some may argue that this will only increase the already exorbitant cost of patent litigation, it is actually more likely to reduce the overall cost incurred by the parties. This is accomplished through the chain reaction or domino effect of events stemming from the Markman Hearing. The outcome of the Markman Hearing provides a roadmap to the impending trial, which may induce the parties to settle or continue to trial. Either way, the judicial system wins. Settlement before trial will greatly reduce the cost of

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158 See *Id.* at 1156.
159 See *Id.* (“this sole factual finding does not override our analysis of the totality of the specification, which clearly indicates that the purpose of this invention was directed towards indirect detection, not direct detection.”).
160 See *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 835 (2015) (“we recognized that courts may have to resolve subsidiary factual disputes. And, as explained above, the Rule requires appellate courts to review all such subsidiary factual findings under the ‘clearly erroneous’ standard.”).
litigation and even if the parties continue through to trial, it is likely that only tightly contested matters will be heard by the court.